

Message Text

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ACTION EA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

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FM AMEMBASSY JAKARTA

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INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

USINT BAGHDAD

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AMEMBASSY DOHA

AMEMBASSY JIDDA

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AMEMBASSY VIENNA

AMCONSUL HONG KONG

USMISSION OECD PARIS UNN

USMISSION EC BRUSSELS

AMCONSUL MEDAN

AMCONSUL SURABAYA

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CONFIDENTIAL SECTION 1 OF 2 JAKARTA 3480

EO 11652: GDS

TAGS: ENRG PGOV ID

SUBJECT: DISMISSAL OF PERTAMINA DIRECTOR IBNU SUTOWO

1. SUMMARY: PRESIDENT SUHARTO'S SWIFT AND UN-JAVANESE DISMISSAL OF PERTAMINA PRESIDENT-DIRECTOR GENERAL IBNU SUTOWO WAS APPARENTLY CAUSED BY A COMPLEX SERIES OF EVENTS. THESE INCLUDE IBNU'S FINANCIAL MISMANAGEMENT OF PERTAMINA, CORRUPTION, FUEDING WITH THE TECHNOCRATS, LOSS OF SUPPORT AMONG SOME OF THE SENIOR MILITARY AND, PERHAPS, ACTIONS AT THE BALI SUMMIT OFFENSIVE TO SUHARTO. HOWEVER, IBNU REMAINS WEALTHY AND WITH INFLUENCE IN MILITARY AND CIVILIAN CIRCLES AND HE CANNOT BE COUNTED ENTIRELY OUT AS A FORCE IN THE FUTURE. THE PERTAMINA SHUFFLE SHOULD NOT ALTER THE GOI'S STANCE IN THE CURRENT OIL COMPANY DISCUSSIONS NOR SHOULD IT DRASTICALLY CHANGE INDONESIA'S BASIC ENERGY POLICY. THE KEY MAN IN THE EVOLVING SITUATION WILL BE WIJARSO, THE DIRECTOR OF OIL AND GAS IN DEPT. MINES. NEW PERTAMINA CHIEF HARYONO HAS LIMITED TECHNICAL BACKGROUND IN PETROLEUM MATTERS BUT THIS SHOULD MORE THAN OFFSET BY HIS FINANCIAL AND MANAGEMENT EXPERTISE. REACTION BY OIL COMPANIES HERE HAS BEEN MUTED. END SUMMARY.

2. IBNU'S FALL: THIS MESSAGE COMMENTS ON THE DISMISSAL OF PERTAMINA PRESIDENT-DIRECTOR IBNU SUTOWO AND ATTEMPTS TO ANALYSE SOME OF ITS CONSEQUENCES. THE TIMING AND VERY UN-JAVANESE MANNER OF PRESIDENT SUHARTO'S ACTION TO REMOVE IBNU AND THE OTHER PERTAMINA BOARD OF DIRECTORS CAUGHT MEMBERS OF THE OIL COMMUNITY (INCLUDING PERTAMINA) BY SURPRISE. FOR IBNU, THE PRESIDENT'S DISMISSAL BROUGHT TO A CLOSE AN EIGHTEEN-YEAR CAREER SEPNT ENTIRELY ASHEAD OF PERTAMINA AND ITS IMMEDIATE PREDECESSOR, P.N. PERMINA. APPOINTED BY SUKARNO IN 1958, COLONEL IBNU TOOK CONTROL OF THE RUSTED PIPELINES AND BOMBED-OUT REFINERY AT PANGKALAN BRANDON IN NORTHERN SUMATRA AND EVENTUALLY TURNED PERTAMINA INTO A MULTI-BILLION DOLLAR OPERATION. UNDER IBNU'S GUIDANCE, PERTAMINA, IN ADDITION TO ITS HYDROCARBON ACTIVITIES, DEVELOPED INTO A VAST CON- GLOMERATE WITH VENTURES IN STEEL, AGRICULTURE, PETROCHEMICALS, TOURISM, SHIPPING, AND COMMUNICATIONS. IT WAS, IN SHORT, A NATIONAL DEVELOPMENT COMPANY WHICH RANKED IN THE TOP 200 OF

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FORTUNE MAGAZINE'S LIST OF LARGEST FOREIGN INDUSTRIAL COMPANIES. BUT PERTAMINA WAS ALSO A CENTER OF LARGE SCALE SCALE CORRUPTION AND MASSIVE WASTE OF PUBLIC FUNDS FOR LUXURY EXPENDITURES. WITH ITS VAST RESOURCES AND ACCESS TO CREDITS, IT DISPENSED PATRONAGE TO A MULTITUDE OF FRIENDS AND CLIENTS IN THE MILITARY, THE GOVERN- MENT AT ALL LEVELS, THE BUSINESS WORLD, AND AMONG POLITICAL GROUPS, IT WAS THE LARGEST SOURCE OF "EXTRA BUDGETARY" FINANCING IN INDONESIA, AND IT RAN ITS FINANCES VIRTUALLY WITHOUT

ACCOUNTABILITY TO THE CENTRAL GOVERNMENT. PROBABLY IBNU'S CHIEF CONTRIBUTION TO THE DEVELOPMENT OF INDONESIA'S OIL INDUSTRY WAS HIS CREATION OF THE PRODUCTION-SHARING AGREEMENT WITH THE FOREIGN OIL COMPANIES. THIS CONCEPT, UNIQUE AMONG OPEC AND OTHER PRODUCING STATES, DIVIDES THE ACTUAL CRUDE PRODUCED, NOT THE PROFITS, WHILE GIVING PERTAMINA MANAGEMENT CONTROL.

3. REASONS BEHIND THE FALL: THE REASONS BEHIND IBNU'S FALL REMAIN MURKY AND COMPLEX. ON THE SURFACE, IT WAS PERTAMINA'S TROUBLED FINANCIAL SITUATION THAT CAUSED THE SHUFFLE. IBNU'S MANAGEMENT OF PERTAMINA'S FINANCES AND BORROWING CREATED A CRITICAL FINANCIAL CRISIS FOR INDONESIA WHICH HAD A VERY DAMAGING IMPACT IN ITS BALANCE OF PAYMENTS, THE IMPLEMENTATION OF DOMESTIC DEVELOPMENT, AND INTERNATIONAL CONFIDENCE IN THE SUHARTO REGIME. UNDER IBNU, PERTAMINA RAN UP SOMETHING LIKE \$3.0 BILLION DOLLARS IN SHORT AND MEDIUM TERM DEBTS IN AN EFFORT TO FINANCE ITS FAR-FLUNG EMPIRE. MOST OF IBNU'S BORROWING WAS DONE IN SHORT-TERM MARKETS IN AN EFFORT TO CIRCUMVENT IMF-IMPOSED RESTRICTIONS ON MEDIUM AND LONG TERM BORROWING. THIS RESTRICTION WAS AN EARLIER ATTEMPT TO GUIDE PERTAMINA FINANCIAL PRACTICES WITHOUT DIRECT INTERVENTION. THE RESULTING CENTRAL BANK BAIL-OUT OF PERTAMINA CAUSED A SEVERE DRAWDOWN IN THE GOI'S FOREIGN EXCHANGE AND IMPEDED THE EXECUTION OF THE GOVERNMENT'S SECOND FIVE YEAR PLAN. PERTAMINA ALSO WITHHELD NEARLY \$1.0 BILLION IN REVENUES WHICH IT WAS LEGALLY OBLIGED TO PASS THROUGH TO THE GOVERNMENT.

4. REFORM ACTIONS: IN AN EFFORT TO TIGHTEN CONTROL OVER PERTAMINA, THE PRESIDENT UNDERTOOK A SERIES OF ACTIONS BEGINNING IN THE EARLY SPRING OF 1975 WHICH CULMINATED IN PRESIDENTIAL DECREE NO. 44 OF DECEMBER 6 ON THE PERTAMINA REORGANIZATION. THE NET EFFECT OF ALL THESE DECISIONS WAS A CONSIDERABLE REDUCTION IN IBNU'S ROLE. ASIDE FROM THE DEBTS, IT WAS THE DISCLOSURES OF PROFITEERING AND EXTRAVAGANCES UNCOVERED BY SPECIAL INVESTIGATIVE TEAMS THAT

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SEALED IBNU'S FATE. THE FIRST OF THESE WAS THE KRAKATAU STEEL PROJECT WHICH FEATURED A REPORTEDLY MILLION-DOLLAR HOUSE FOR THE PERSON WHO IS NOW THE FORMER PROJECT DIRECTOR. REPORTEDLY, PRESIDENT SUHARTO WAS INCENSED WHEN FIRST APPRAISED OF THE EXTENT OF FREE SPENDING AND LACK OF FINANCIAL RECORDS. THE FINAL STRAW WAS THE DISCOVERY THAT IBNU, APPARENTLY ON THE STRENGTH OF HIS SIGNATURE ALONE, HAD GONE OUT ON THE MARKET AND TIME CHARTERED SOME 25 TANKERS AT THE TOP OF THE MARKET ON A HIRE PURCHASE BASIS. EXAMINATION OF THE CONTRACTS REVEALED THAT IBNU HAD PAID FAR MORE THAN NECESSARY, PROMPTING MANY TO BELIEVE HE HAD LINED HIS OWN POCKET THROUGH SPECIAL ARRANGEMENTS WITH CERTAIN EUROPEAN SHIP BROKERS. ACCORDING TO ONE SOURCE, THE TANKER DEAL WOULD HAVE COST THE GOI AT LEAST \$200 MILLION A YEAR IN FOREIGN EXCHANGE.

5. IBNU'S FEUD WITH THE TECHNOCRATS: ON THE POLITICAL SIDE,

IBNU'S LONG STANDING FEUD WITH THE DEPARTMENTS AND THE STATE
TECHNOCRATS -- THE WESTERN EDUCATED ECONOMISTS WHO HEAD MOST OF
THE MINISTRIES INCLUDING THE PLANNING BODY BAPPENAS -- CAME TO A
CLIMAX OVER GOI TACTICS IN THE CURRENT OIL COMPANY DISCUSSIONS.
THE TECHNOCRATS HAD LONG RESENTED IBNU'S VIRTUAL AUTONOMY AND
HIS "CAN DO, GROWTH AT ANY COST POLICY WHICH THEY FEARED WAS
WASTING LIMITED RESOURCES AND DISTORTING RATIONAL ECONOMIC
PLANNING. MINES MINISTER SADLI, (WHOSE PORTFOLIO OSTENSIBLY
GIVES HIM SOME SUPERVISORY ROLE OVER THE OIL SECTOR) WAS ONE
OF THE TECHNOCRATS MOST OPPOSED TO IBNU'S FINANCIAL WHEELING
AND DEALING. IT WAS SADLI, ALONG WITH PLANNING BOARD CHAIRMAN
WIDJOJO, WHO CONVINCED SUHARTO IN SEPTEMBER 1975 TO TIGHTEN UP
TERMS WITH FOREIGN OIL COMPANIES IN AN EFFORT TO INCREASE GOI
REVENUES. THIS APPROACH WAS OPPOSED BY IBNU WHO FELT THAT THE
MORE FAVORABLE TREATMENT WAS NECESSARY IN ORDER TO ENCOURAGE OIL
COMPANIES TO INVEST IN INDONESIA. THE TECHNOCRATS DID NOT GET
THE UPPER HAND UNTIL SUHARTO RECOGNIZED THE GRAVITY OF THE PERTAMINA
CRISIS AND DECIDED TO MOVE AGAINST IBNU. WIDJOJO, SADLI AND
OTHERS COULD DO NOTHING EARLIER THROUGH THE PERTAMINA BOARD OF
COMMISSIONERS TO DISCIPLINE IBNU BECAUSE THEN, THEY HAD LITTLE
SUPPORT FROM THE PRESIDENT. BY LATE DECEMBER, DAY-TO-DAY MANAGE-
MENT OF PERTAMINA HAD PASSED TO WIJARSO WHO WAS SERVING CON-
CURRENTLY AS DIRECTOR OF OIL AND GAS IN THE DEPARTMENT OF MINES
AND DIRECTOR FOR GENERAL AFFAIRS IN PERTAMINA. IBNU'S EXTENDED
ABSENCE IN JAN-FEB TOUCHED OFF A FLURRY OF RUMORS THAT THE END
WAS NEAR.

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6. POSITION OF IBNU'S SUPPORTERS: IBNU'S SUPPORT AMONG THE MILITARY ERODED AS SOME OF THE SENIOR LEADERSHIP, INCLUDING GENERAL PANGGABEAN TURNED AGAINST HIM WHEN THE GRAVITY OF THE PERTAMINA CRISIS BECAME KNOWN. (THERE IS ALSO SPECULATION THAT PANGGABEAN WANTS IBNU'S JOB WHEN HE LEAVES THE DEFENSE DEPARTMENT.) OTHERS IN THE MILITARY LEADERSHIP CONTINUE TO ACKNOWLEDGE IBNU'S CONTRIBUTION TO DEVELOPMENT, AND TO RESPECT HIM, BUT ACCEPT THE PRESIDENT'S DECISION THAT HE HAD TO GO. IN SUMMING UP THE MILITARY'S REACTION, DEFENSE INTELLIGENCE CHIEF GEN. MOERDANI COMMENTED, "WE DO NOT REJECT HIM." ON THE CIVILIAN SIDE EXTREME-NATIONALIST MERDEKA TOOK THE OCCASION OF IBNU'S DEPARTURE TO PRAISE HIM EDITORIALY, AND INDONESIAN DEMOCRATIC PARTY (PDI)

PARLIAMENTARY VICE SPEAKER (AND FORMER NATIONALIST PARTY LEADER) ISNAENI ALSO MADE A STATEMENT CLEARLY SUPPORTING CONTINUATION OF IBNU-STYLE OPERATION OF PERTAMINA. BOTH MERDEKA AND ISNAENI ARE CLOSE TO ALI MURTOPO AND IT APPEARS ALI HAS NOT (AT LEAST AS YET) DUMPED IBNU. IN SHORT, GIVEN HIS POSITION, IT IS TOO SOON TO COUNT IBNU COMPLETELY OUT AS AN INFLUENTIAL FORCE IN INDONESIAN BUSINESS--AND POLITICS.

7. THE PRESIDENT'S ROLE: NO ONE, HOWEVER, EXPECTED SUHARTO TO MOVE THIS QUICKLY IN FIRING IBNU. THE PRESIDENT EXHIBITED UNUSUAL DECISIVENESS IN THIS FINAL STEP, CAUSING SPECULATION THAT LAST-MINUTE MANEUVERS BY IBNU MAY HAVE SPURRED THE PRESIDENT TO ACTION. (THERE IS ALSO SPECULATION THAT IBNU WAS FIRED SO PRECIPITOUSLY BECAUSE SUHARTO A) HAD TO PROVE TO HIS DETRACTORS THAT HE IS STRONG AND RESOLUTE, AND B) FOUND IBNU'S GRANDSTANDING AT THE BALI ASEAN SUMMIT, INCLUDING GIVING MARCOS A RIDE ON HIS PRIVATE PLANE, THE "FINAL STRAW.") IT WAS GENERALLY BELIEVED THE PRESIDENT WOULD KEEP IBNU AROUND WHILE PERTAMINA STRAIGHTENED ITSELF OUT, AND WOULD THEN PUT HIM OUT TO PASTURE WITH A SUITABLE FACE-SAVING SENDOFF. IBNU HAD BEEN ACTIVE SINCE HIS RETURN FROM THE ASEAN SUMMIT MEETING ATTEMPTING TO SHORE UP HIS POSITION. HE APPARENTLY WAS UNABLE TO SEE SUHARTO TO ARGUE HIS CASE FACE-TO-FACE. THE PRESIDENT'S MOVE IN DISMISSING THE ENTIRE BOARD AS WELL AS IBNU WAS SEEN AS A PLOY WHEREBY IN ORDER TO GET RID OF A FEW, HE FELT HE HAD TO DEMAND THE RESIGNATIONS OF ALL. THE REAPPOINTMENT OF VIRTUALLY ALL THE MEMBERS - EXCEPT IBNU AND CONFIDENTIAL

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MAJ. GEN. SOEHARDIMAN - APPEARS TO CONFIRM THIS.

8. EFFECT ON OIL COMPANY DISCUSSIONS: THE PERTAMINA SHAKEUP SHOULD NOT ALTER THE GOI'S BASIC STANCE IN THE CURRENT DISCUSSIONS WITH THE OIL COMPANIES. IBNU HAD NOT PLAYED ANY SIGNIFICANT PART IN THE TALKS; AS HE TOLD ONE COMPANY WHO CAME TO PLEAD ITS CASE WITH HIM, "THE MATTER IS OUT OF MY HANDS." THE MOST DIRECT EFFECT WILL PROBABLY BE A SLOWDOWN IN THE NEGOTIATIONS AS MINES MINISTER SADLI AS WELL AS HARYONO AND WIJARSO CONCENTRATE ON PUTTING PERTAMINA BACK TOGETHER. THE CHANCES OF A UNILATERAL DECREE IMPOSING AN ALTERED PROFIT PICTURE ON THE CONTRACTORS ALSO APPEAR TO HAVE LESSENED AS A RESULT OF THE CHANGES.

9. CHANGES AT PERTAMINA: WHAT EFFECT ALL THIS WILL HAVE ON PERTAMINA REMAINS TO BE SEEN. STAFFERS SAY JOKINGLY THAT THE DOORS ARE OPEN FOR BUSINESS AS USUAL BUT MORALE SEEMS LOW. CLEARLY, THE DAYS OF PERTAMINA AS A DEVELOPMENT AGENCY ARE FINISHED. ALREADY SOME BELT TIGHTENING IS EVIDENT AS A RESULT OF THE COMPANY'S REDUCED BUDGET. THIS HAS MOST NOTICEABLY HAD AN ADVERSE IMPACT ON EXPLORATION ACTIVITIES. FURTHER PERSONNEL CHANGES MAY OCCUR IF THE GOVERNMENT DECIDES TO USE THE DISMISSAL DECREE AS AN OPPORTUNITY TO CLEAN HOUSE. ONE IMMEDIATE VICTIM

OF THE REORGANIZATION WILL BE IR. SOEDIONO OF THE E&P DIRECTORATE WHO WAS CLOSE TO IBNU AND WAS NOTORIOUSLY CORRUPT. ANOTHER POSSIBILITY IS TIRTO UTOMO, PERTAMINA'S MAN IN CHARGE OF CRUDE DEALS WHO WAS IBNU'S MOST TRUSTED AIDE. THE NEXT SIX MONTHS SHOULD BE A PERIOD OF CONSOLIDATION AND RETRENCHMENT FOR PERTAMINA.

10. INCREASED IMPORTANCE OF WIJARSO: THE KEY MAN IN THIS EVOLVING SITUATION IS WIJARSO. AS DIRECTOR FOR GENERAL AFFAIRS IN PERTAMINA, HIS ROLE SHOULD EXPAND SIGNIFICANTLY UNDER HARYONO, GIVEN THE LATTER' LIMITED TECHNICAL KNOWLEDGE OF OIL AND GAS OPERATIONS. WIJARSO WILL CONTINUE TO SERVE AS CHIEF INDONESIAN NEGOTIATOR IN THE OIL TALKS, ALTHOUGH IT IS LIKELY HARYONO WILL INJECT HIMSELF INTO THE DISCUSSIONS ALSO. WIJARSO'S CHIEF TASK IN THE NEXT THREE MONTHS WILL BE THE REORGANIZATION OF THE COMPANY'S OPERATING DIVISIONS TO ENSURE MORE COORDINATION AND BETTER MANAGEMENT.

11. THE NEW PRESIDENT-DIRECTOR: LITTLE IS KNOWN OF PIET HARYONO, CONFIDENTIAL

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THE NEW ACTING PRESIDENT-DIRECTOR. A JAVANESE FROM MADIUN IN EAST JAVA, HARYONO IS 56 AND IS A CAREER MILITARY OFFICER. HE BECAME INVOLVED WITH HANKAM'S (DEFENSE DEPARTMENT) FINANCES IN 1952 AS AN ARMY CAPTAIN AND SERVED ON A STATE FINANCIAL EXAMINING BOARD WHICH WAS LED BY THEN GENERAL SUHARTO. IN 1966, AT THE RANK OF COLONEL, HE WAS APPOINTED DIRECTOR-GENERAL FOR THE BUDGET IN THE FINANCE DEPARTMENT. HE EARNED A REPUTATION AS A TOUGH NO-NONSENSE ADMINISTRATOR WHO WIELDED AN IRON HAND ON THE BUDGET. IN MID-APRIL 1975, SUHARTO APPOINTED HARYONO, ALONG WITH GENERALS HASNAN HABIB AND ISMAEL SALEH, AS MEMBERS OF A SPECIAL TEAM TO REVIEW PERTAMINA'S BUDGET AND FINANCES. IN SEPTEMBER HARYONO SUCCEEDED IR. ANONDO AS HEAD OF PERTAMINA'S FINANCE AND ADMINISTRATIVE AFFAIRS DIRECTORATE THUS FORMALLY BECOMING A MEMBER OF PERTAMINA'S BOARD OF DIRECTORS. HARYONO HAS THE REPUTATION OF BEING A "MILITARY TECHNOCRAT" WITH EMPHASIS ON THE LATTER. BANKERS GIVE HIM GOOD MARKS FOR HIS HONESTY AND INTEGRITY AS WELL AS HIS ABILITY TO GET THINGS DONE. AS A MEASURE OF HARYONO'S GROWING IMPORTANCE IN PERTAMINA'S OPERATIONS DURING THE LAST SEVERAL MONTHS, IT HAS BEEN HARYONO'S SIGNATURE, NOT IBNU'S, WHICH HAS APPEARED ON ALL OF PERTAMINA'S FINANCIAL DOCUMENTS. HARYONO'S TECHNICAL KNOWLEDGE OF OIL AND GAS OPERATIONS IS LIMITED BUT THIS IS MORE THAN OFFSET BY HIS FINANCIAL ACUMEN. AS ONE BANKER PUT IT, "PIET'S BACKGROUND IS EXACTLY WHAT PERTAMINA NEEDS NOW." PRESUMABLY, SUCH THINGS AS PERTAMINA'S 1974 FINANCIALS AND THE LONG OVERDUE AUDIT WILL BE SPEEDED UP. ONE OF HARYONO'S AREAS OF WEAKNESS WILL BE IN MARKETING WHERE IBNU WAS ABLE DRAW ON HIS EXTENSIVE OILFIELD AND BOARDROOM CONTACTS TO PROMOTE SALES OF INDONESIAN CRUDE. TO DATE, NO TIME LIMIT HAS BEEN PLACED ON HARYONO'S APPOINTMENT BUT

THE VIEW SEEMS TO BE THAT HE WILL SERVE ON A FAIRLY LONGTERM BASIS, AT LEAST SEVERAL MONTHS.

12. IMPACT ON GOI ENERGY POLICY: IT IS UNLIKELY THAT INDONESIA'S OUTLOOK ON ENERGY WILL UNDERGO ANY DRASTIC CHANGE AS A RESULT OF IBNU'S DEPARTURE. PRESUMABLY SADLI AND WIJARSO WILL PLAY A GREATER ROLE IN THE FORMULATION OF ENERGY POLICY. ALTHOUGH WE FORESEE NO RADICAL CHANGES IN INDONESIA'S BASIC STANCE RE ENERGY, IT IS PROBABLE THAT A GREATER DEGREE OF NATIONAL SELF-INTEREST WILL BE PRESENT ON KEY ISSUES THAN WHEN IBNU WAS PRESENT. IT IS DOUBTFUL THAT INDONESIA'S POLICY VIEW THAT OIL IS A STRATEGIC ASSET TO BE USED FOR ACCELERATED NATIONAL DEVELOP-
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MENT WILL UNDERGO ANY APPRECIABLE CHANGE - EXCEPT THAT THIS POLICY WILL NOW BE IMPLEMENTED BY THE TECHNOCRATS. IN TERMS OF OPEC, IBNU'S DEPARTURE CREATES A VOID WHICH THE GOVERNMENT MUST MOVE QUICKLY TO FILL IN LIGHT OF THE OPEC MINISTERIAL MEETINGS SET FOR MAY IN JAKARTA.

13. REACTION OF THE OIL COMPANIES: REACTION ON THE PART OF FOREIGN OIL COMPANIES HAS BEEN MUTED. NEARLY ALL HAVE SEEN THE HANDWRITING ON THE WALL FOR SOME TIME NOW. COMPANIES HAVE GRADUALLY UNDERGONE TRANSFORMATION IN THEIR PERCEPTION OF IBNU, BECOMING MORE CRITICAL OF HIS MANAGEMENT AS STORIES OF GRAFT AND CORRUPTION WITHIN PERTAMINA BECAME WIDESPREAD IN THE "OIL PATCH." OILMEN REGARD TIMING OF ANNOUNCEMENT AS VERY BAD COMING AT MOMENT WHEN DISCUSSIONS WITH OIL COMPANIES ARE STILL IN SUSPENSE. UNIVERSAL VIEW IS THAT COMBINATION OF EVENTS, WHATEVER THE FINAL OUTCOME, WILL HAVE SERIOUS IMPACT ON ALREADY BRUISED INVESTMENT CLIMATE. THEY POINT OUT THAT IT WILL NOW BE MORE DIFFICULT TO CONVINCE DISTANT HOME OFFICES TO PUT MONEY INTO INDONESIA. COMPANIES BELIEVE THEY CAN LIVE WITH NEW SYSTEM PROVIDED THAT WIJARSO STAYS ON IN POLICY-MAKING CAPACITY. HE IS SEEN AS THE KEY TO THE PICTURE.
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